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Page: 1

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PAGE 01 BOGOTA 17754 192013Z
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STATE PLEASE PASS TO OPIC FOR JOHN GURR

E.O. 12356: DECL:OADR
TAGS: EINV, CO
SUBJECT: HIGH PLAINS ENERGY OIL/GAS PROJECT
REF: STATE 383898

1. SUMMARY: AREA OF OPERATION PROPOSED BY HIGH PLAINS ENERGY IS A HIGH THREAT GUERRILLA AREA. ECOPETROL HAS A FAIR ADHERENCE TO AGREEMENTS REACHED WITH OIL/GAS COMPANIES IN COLOMBIA. ECOPETROL HAS A LESS THAN PERFECT RECORD WITH REGARD TO PESO AND/OR DOLLAR COMPONENTS OF AMOUNTS DUE FROM PETROLEUM DELIVERIES.
END SUMMARY.

2. THE BIGGEST SINGLE THREAT TO HIGH PLAINS PLANNED EXPLORATION IN THE GAMARRA AREA IN CESAR DEPARTMENT WILL BE GUERRILLAS. THE ELN (EJERCITO DE LIBERACION NACIONAL), CURRENTLY THE GUERRILLA GROUP MOST ACTIVE AGAINST MULTINATIONAL OPERATIONS IN COLOMBIA, IS VERY ACTIVE IN THE PLANNED EXPLORATION AND SURROUNDING AREAS. ALTHOUGH THE GOC HAS PLANS TO IMPROVE SECURITY IN THE AREA, IT WILL REMAIN DANGEROUS FOR US AND OTHER MULTINATIONAL CORPORATIONS. THE ELN HAS IN THE PAST 4 MONTHS INITIATED OVER 70 ACTIONS AGAINST THE

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PAGE 02 BOGOTA 17754 192013Z

SHELL/OCCIDENTAL/ECOPETROL CANO-LIMON PIPELINE AND BASE CAMP FACILITIES OF COMPANIES ENGAGED IN ASSOCIATED EXPLORATION, SOME OF WHICH HAVE BEEN NEAR THE PLANNED EXPLORATION AREA. WE DO NOT ENVISION A DECLINE IN THIS

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Page: 1

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: OSCAR J. OLSON
DATE/CASE ID: 24 OCT 2002 200201334

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Page: 2

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ACTIVITY IN THE NEAR FUTURE.

3. ECOPETROL AND THE GOC CURRENTLY HAVE ONLY A FAIR RECORD IN THEIR DEALINGS WITH OIL/GAS COMPANIES OPERATING IN COLOMBIA. DECREES ISSUED SO FAR IN 1986 SUBSTANTIALLY CHANGED THE RULES OF THE GAME FACED BY OCCIDENTAL/SHELL IN THE MANAGEMENT OF THE CANO-LIMON PIPELINE AND IN ARRANGEMENTS FOR THE SALE OF CRUDE. THE DECREES IN QUESTION ARE CURRENTLY UNDER REVIEW BY THE COURTS. IT IS CLEAR THAT THE GOC TAX REFORM WILL AFFECT COMPANIES DOING BUSINESS HERE AS WELL.

4. ECOPETROL IS NOT A PARIDIGM OF PROMPTNESS IN PAYING FOR CRUDE OIL DELIVERIES. EMBASSY CONTACTS IN THE PETROLEUM SECTOR TELL US THAT INTERNATIONAL PAYMENT TERMS (PAYMENT IN FULL WITHIN 90 DAYS OF DELIVERY) ARE SELDOM MET. SOMETIMES ECOPETROL/GOC PAY IN ADVANCE FOR SHIPMENTS, BUT GENERALLY PAYMENT IS RECEIVED LATE. THIS SITUATION MAY CLEAR UP GIVEN THE NEW PRESIDENT OF ECOPETROL'S PERSONAL INTEREST IN ENDING THE LATE PAYMENT PROBLEM. THERE ARE NO REPORTS THAT PAYMENT HAS NOT EVENTUALLY BEEN RECEIVED.

5. EMBASSY ATTEMPTS TO CONTACT A BROAD RANGE OF PRIVATE SECTOR PETROLEUM REPS HAVE BEEN THWARTED BY THE CHRISTMAS HOLIDAYS. MANY NORMAL CONTACTS HAVE LEFT TOWN. THE ABOVE IS FROM A LIMITED, BUT WE BELIEVE REPRESENTATIVE, SAMPLE OF THOSE DOING BUSINESS HERE.

GILLESPIE

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PAGE 03 BOGOTA 17754 192013Z

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Page: 2

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